

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF NILES	County BERRIEN
Audit Date 3/31/04	Opinion Date 9/30/04	Date Accountant Report Submitted to State: 11/5/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		ZIP 49002-5599	
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date 11/5/04

Township of Niles
Berrien County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2004

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	4
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined balance sheet - all fund types and account groups	5
Combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types and expendable trust fund	6
Combined statement of revenues, expenditures, and changes in fund balances - budget and actual - General and special revenue funds	7
Combined statement of revenues, expenses, and changes in retained earnings - proprietary fund type	8
Combined statement of cash flows - proprietary fund type	9 - 10
Combined statement of changes in plan assets - pension trust funds	11
Notes to financial statements	12 - 20
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of funding progress for Police and Fire Pension Plan	21
SUPPLEMENTARY INFORMATION:	
Statement of revenues, expenditures, and changes in fund balance - budget and actual - General Fund	22 - 28
Combining balance sheet - special revenue funds	29
Combining statement of revenues, expenditures, and changes in fund balances - special revenue funds	30
Statement of revenues, expenditures, and changes in fund balance - budget and actual:	
Drains Fund	31
Fire Operating Fund	32 - 33
Special Assessment Fund	34
Fire Equipment Fund	35
Revolving Improvement Fund	36
Combining balance sheet - enterprise funds	37
Combining statement of revenues, expenses, and changes in retained earnings - enterprise funds	38
Combining statement of cash flows - enterprise funds	39 - 40

CONTENTS (*Continued*)

	<i>Page</i>
SUPPLEMENTARY INFORMATION (<i>Continued</i>):	
Combining balance sheet - trust and agency funds	41
Combining statement of changes in plan net assets - pension trust funds	42
Combining statement of changes in assets and liabilities - agency funds	43

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Niles, Michigan**

We have audited the accompanying general purpose financial statements of the Township of Niles, Michigan, as of March 31, 2004, and for the year then ended, as listed in the contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Niles, Michigan, as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with U.S. generally accepted accounting principles.

The schedule of funding progress of the Police and Fire Pension Plan on page 21 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Niles, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Siegfried Crandall P.C.

September 30, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

Township of Niles
COMBINED BALANCE SHEET - all fund types and account groups
March 31, 2004

		<i>Governmental fund types</i>		
		<i>General</i>	<i>Special revenue</i>	<i>Capital Project</i>
ASSETS				
Cash		\$ 1,545,896	\$ 1,955,663	\$ 179,595
Investments		1,494,535	2,982	100,096
Receivables:				
Taxes		20,563	66,269	-
Special assessments		-	19,517	-
Accounts		15,957	-	-
Due from other governmental units		132,794	-	-
Due from other funds		17,411	61,037	-
Long-term advance to other funds		-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)		-	-	-
Amount to be provided for retirement of general long-term debt		-	-	-
TOTAL ASSETS		\$ 3,227,156	\$ 2,105,468	\$ 279,691
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable and accrued expenses		\$ 27,075	\$ 6,124	\$ -
Claim liabilities		-	-	-
Due to other funds		3,657	75,422	-
Due to others		-	-	-
Long-term advance from other funds		-	-	-
Customer deposits		-	-	-
Deferred revenue		19,938	17,462	-
Total liabilities		50,670	99,008	-
FUND EQUITY:				
Investment in general fixed assets		-	-	-
Retained earnings		-	-	-
Fund balance:				
Reserved for perpetual care		-	-	-
Reserved for employee's pension benefits		-	-	-
Reserved for building inspection activities		28,059	-	-
Designated		-	810,125	140,000
Undesignated		3,148,427	1,196,335	139,691
Total fund equity		3,176,486	2,006,460	279,691
TOTAL LIABILITIES AND FUND EQUITY		\$ 3,227,156	\$ 2,105,468	\$ 279,691

<i>Proprietary fund types</i>		<i>Fiduciary fund type</i>	<i>Account groups</i>		<i>Totals (Memorandum only)</i>
<i>Enterprise</i>	<i>Internal service</i>	<i>Trust and agency</i>	<i>General fixed assets</i>	<i>General long-term debt</i>	
\$ 2,314,709	\$ 8,408	\$ 92,008	\$ -	\$ -	\$ 6,096,279
260,960	-	4,197,669	-	-	6,056,242
-	-	-	-	-	86,832
-	-	-	-	-	19,517
338,565	-	-	-	-	354,522
-	-	-	-	-	132,794
21,362	3,657	-	-	-	103,467
567,528	-	-	-	-	567,528
10,812,295	-	-	3,105,399	-	13,917,694
-	-	-	-	49,116	49,116
<u>\$ 14,315,419</u>	<u>\$ 12,065</u>	<u>\$ 4,289,677</u>	<u>\$ 3,105,399</u>	<u>\$ 49,116</u>	<u>\$ 27,383,991</u>
\$ 124,842	\$ -	\$ -	\$ -	\$ 49,116	\$ 207,157
-	12,065	-	-	-	12,065
21,362	-	3,026	-	-	103,467
-	-	54,919	-	-	54,919
567,528	-	-	-	-	567,528
2,323	-	-	-	-	2,323
-	-	-	-	-	37,400
<u>716,055</u>	<u>12,065</u>	<u>57,945</u>	<u>-</u>	<u>49,116</u>	<u>984,859</u>
-	-	-	3,105,399	-	3,105,399
13,599,364	-	-	-	-	13,599,364
-	-	8,263	-	-	8,263
-	-	4,223,469	-	-	4,223,469
-	-	-	-	-	28,059
-	-	-	-	-	950,125
-	-	-	-	-	4,484,453
<u>13,599,364</u>	<u>-</u>	<u>4,231,732</u>	<u>3,105,399</u>	<u>-</u>	<u>26,399,132</u>
<u>\$ 14,315,419</u>	<u>\$ 12,065</u>	<u>\$ 4,289,677</u>	<u>\$ 3,105,399</u>	<u>\$ 49,116</u>	<u>\$ 27,383,991</u>

See notes to financial statements

Township of Niles**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - all governmental fund types and expendable trust fund**

Year ended March 31, 2004

	<i>Governmental fund types</i>		
	<i>General</i>	<i>Special revenue</i>	<i>Capital Project</i>
REVENUES:			
Taxes	\$ 279,927	\$ 946,174	\$ -
Licenses and permits	234,446	-	-
Federal grants	-	15,299	-
State grants	1,062,453	-	-
Local unit contributions	-	30,000	-
Charges for services	27,624	925	-
Fines and forfeitures	29,419	-	-
Interest and rentals	59,311	23,232	6,036
Other	18,343	68,507	-
Total revenues	<u>1,711,523</u>	<u>1,084,137</u>	<u>6,036</u>
EXPENDITURES:			
Legislative	68,253	-	-
General government	547,064	-	-
Public safety	839,981	625,252	-
Public works	33,694	45,276	-
Community and economic development	33,239	-	-
Recreation and cultural	68,594	-	-
Capital outlay	70,577	123,591	22,053
Total expenditures	<u>1,661,402</u>	<u>794,119</u>	<u>22,053</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	50,121	290,018	(16,017)
FUND BALANCE - BEGINNING OF YEAR	<u>3,126,365</u>	<u>1,716,442</u>	<u>295,708</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,176,486</u>	<u>\$ 2,006,460</u>	<u>\$ 279,691</u>

<i>Fiduciary fund type</i>	
<u><i>Expendable trust</i></u>	<u><i>Totals</i></u>
\$ -	\$ 1,226,101
-	234,446
-	15,299
-	1,062,453
-	30,000
-	28,549
-	29,419
43	88,622
-	86,850
<u>43</u>	<u>2,801,739</u>
-	68,253
35	547,099
-	1,465,233
-	78,970
-	33,239
-	68,594
-	216,221
<u>35</u>	<u>2,477,609</u>
8	324,130
<u>8,255</u>	<u>5,146,770</u>
<u>\$ 8,263</u>	<u>\$ 5,470,900</u>

See notes to financial statements

Township of Niles**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - General and special revenue funds**

Year ended March 31, 2004

	<i>General</i>		
	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES:			
Taxes	\$ 259,459	\$ 279,927	\$ 20,468
Licenses and permits	202,100	234,446	32,346
Federal grants	-	-	-
State grants	1,080,000	1,062,453	(17,547)
Local unit contributions	-	-	-
Charges for services	30,660	27,624	(3,036)
Fines and forfeitures	9,350	29,419	20,069
Interest and rentals	58,150	59,311	1,161
Other	1,000	18,343	17,343
Total revenues	<u>1,640,719</u>	<u>1,711,523</u>	<u>70,804</u>
EXPENDITURES:			
Legislative	71,640	68,253	3,387
General government	573,805	547,064	26,741
Public safety	793,378	839,981	(46,603)
Public works	39,250	33,694	5,556
Community and economic development	34,751	33,239	1,512
Recreation and cultural	75,731	68,594	7,137
Capital outlay	69,700	70,577	(877)
Total expenditures	<u>1,658,255</u>	<u>1,661,402</u>	<u>(3,147)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,536)	50,121	67,657
FUND BALANCE - BEGINNING OF YEAR	<u>3,126,365</u>	<u>3,126,365</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,108,829</u>	<u>\$ 3,176,486</u>	<u>\$ 67,657</u>

<i>Special revenue</i>		
<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
\$ 882,612	\$ 946,174	\$ 63,562
-	-	-
-	15,299	15,299
-	-	-
30,000	30,000	-
550	925	375
-	-	-
19,900	23,232	3,332
<u>75,238</u>	<u>68,507</u>	<u>(6,731)</u>
<u>1,008,300</u>	<u>1,084,137</u>	<u>75,837</u>
-	-	-
-	-	-
657,747	625,252	32,495
269,138	45,276	223,862
-	-	-
-	-	-
<u>314,412</u>	<u>123,591</u>	<u>190,821</u>
<u>1,241,297</u>	<u>794,119</u>	<u>447,178</u>
(232,997)	290,018	523,015
<u>1,716,442</u>	<u>1,716,442</u>	<u>-</u>
<u>\$ 1,483,445</u>	<u>\$ 2,006,460</u>	<u>\$ 523,015</u>

See notes to financial statements

Township of Niles**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS - *proprietary fund type****Year ended March 31, 2004*

	<u>Enterprise</u>	<u>Internal service</u>
OPERATING REVENUES:		
Charges for sales and services	\$ 1,210,496	\$ -
Quasi-external customer charges	<u>-</u>	<u>183,205</u>
Total operating revenues	<u>1,210,496</u>	<u>183,205</u>
OPERATING EXPENSES:		
Costs of sales and service:		
Purchased services and products	891,234	-
Personnel	166,593	-
Depreciation	320,700	-
Employee benefits	<u>-</u>	<u>203,206</u>
Total operating expenses	<u>1,378,527</u>	<u>203,206</u>
OPERATING LOSS	<u>(168,031)</u>	<u>(20,001)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	52,850	464
Interest expense	<u>(30,000)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>22,850</u>	<u>464</u>
NET LOSS	(145,181)	(19,537)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>13,744,545</u>	<u>19,537</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 13,599,364</u>	<u>\$ -</u>

See notes to financial statements

Township of Niles**COMBINED STATEMENT OF CASH FLOWS - *proprietary fund types****Year ended March 31, 2004*

	<u>Enterprise</u>	<u>Internal service</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,177,151	\$ -
Receipts from quasi-external customers	-	179,145
Payments to suppliers and vendors	(891,874)	(198,416)
Payments to employees	<u>(164,680)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>120,597</u>	<u>(19,271)</u>
Cash flows from non-capital financing activities:		
Decrease in amounts due from other funds	8,390	-
Decrease in long-term advance to other funds	18,236	-
Interest received on long-term advance to other funds	<u>30,000</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>56,626</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of fixed assets	(134,956)	-
Principal payments on long-term advance from other funds	(18,236)	-
Interest paid on long-term advance from other funds	<u>(30,000)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(183,192)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	22,850	464
Sale of investments	<u>256,455</u>	<u>-</u>
Net cash provided by investing activities	<u>279,305</u>	<u>464</u>
Net increase (decrease) in cash	273,336	(18,807)
Cash - beginning of year	<u>2,041,373</u>	<u>27,215</u>
Cash - end of year	<u>\$ 2,314,709</u>	<u>\$ 8,408</u>

See notes to financial statements

Township of Niles**COMBINED STATEMENT OF CASH FLOWS - *proprietary fund types (continued)****Year ended March 31, 2004*

	<u>Enterprise</u>	<u>Internal service</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (168,031)	\$ (20,001)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	320,700	-
Increase in accounts receivable	(33,345)	-
Increase in amounts due from other funds	(21,362)	(3,657)
Increase in accounts payable and accrued expenses	1,273	-
Increase in amounts due to other funds	21,362	-
Increase in accrued liabilities	<u>-</u>	<u>4,387</u>
 Net cash provided by (used in) operating activities	 <u>\$ 120,597</u>	 <u>\$ (19,271)</u>
 Supplementary information:		
Non-cash capital and related financing activities:		
Increase in fixed assets	\$ (205,735)	\$ -
Less, increase in accounts payable	<u>70,779</u>	<u>-</u>
 Cash used	 <u>\$ (134,956)</u>	 <u>\$ -</u>

See notes to financial statements

Township of Niles

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS - pension trust funds

Year ended March 31, 2004

ADDITIONS TO PLAN ASSETS:

Contributions:

Employer	\$ 90,613
Participants	<u>78,324</u>

Total contributions	168,937
---------------------	---------

Investment return	<u>640,797</u>
-------------------	----------------

Total additions	809,734
-----------------	---------

DEDUCTIONS FROM PLAN ASSETS:

Benefits paid	<u>264,138</u>
---------------	----------------

NET INCREASE	545,596
--------------	---------

NET ASSETS HELD IN TRUST
FOR PENSION BENEFITS:

Beginning of year	<u>3,677,873</u>
-------------------	------------------

End of year	<u><u>\$ 4,223,469</u></u>
-------------	----------------------------

See notes to financial statements

Township of Niles
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Niles, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant accounting policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

b) Basis of presentation:

The financial activities of the Township are recorded in separate funds and account groups, categorized, and described as follows:

i) Governmental funds:

General Fund - this fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, interest, and charges for certain services.

Special revenue funds - special revenue funds are used to account for specific revenue (other than major capital projects) derived from state and federal grants, General Fund appropriations, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

Capital Projects Fund - this fund is used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations.

ii) Proprietary funds:

Enterprise funds - these funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - this fund is used to account for operations that provide services to other departments of the Township on a cost-reimbursement basis.

Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

b) Basis of presentation (continued):

iii) Fiduciary funds:

These funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Township under the terms of a formal trust agreement.

Expendable Trust Fund - this fund is used in the same manner that special revenue funds; both the principal and income may be spent.

Pension trust funds - these funds account for assets of the Township's pension plans for the benefit of a) police and fire departments and b) all other employees.

Agency funds - these funds are used to account for assets the Township holds for others in an agency capacity.

iv) Account groups:

General fixed assets account group - this account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General long-term account group - this account group presents the balance of general obligation long-term debt, which is not recorded in governmental fund types.

The account groups are not funds. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

c) Basis of accounting:

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental fund types and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period and are considered fully collectible.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

The proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. The Township has elected to follow (1) all GASB pronouncements and (2) Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Fixed assets:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infra-structure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives (currently 50 years) using the straight-line method.

e) Budgets and budgetary accounting:

The Township follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978), as prescribed by the State of Michigan.

Budgets for the general and special revenue funds are adopted at the activity level and are on a basis consistent with generally accepted accounting principles.

f) Property tax:

Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14, with a final collection date of February 29, before they are added to the County delinquent tax roll.

g) Special assessments revenue recognition:

Special assessments revenue is recorded as deferred when initially assessed. To the extent special assessments are realized, that is collected, revenue is recognized. Special assessments are recognized as revenue when they become measurable and available. Any portion of special assessments which does not meet both criteria is reported as deferred revenue. Interest income on special assessments receivable is not accrued until its due date.

h) Compensated absences:

Township policy permits employees to accumulate earned, but unused sick pay benefits. A liability is reported for 50% of unpaid accumulated sick leave. Sick pay that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and liability of the appropriate fund. Amounts not expected to be liquidated with expendable, available resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

i) Fund equity:

Designations of fund equity represent tentative management plans that are subject to change.

j) Totals (memorandum only):

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS:

a) Deposits and investments:

A reconciliation of cash and investments to the Township's deposits and investments, as shown in the combined balance sheet, is as follows:

<i>Financial statements:</i>	
Cash	\$ 6,096,279
Investments	<u>6,056,242</u>
	<u>\$12,152,521</u>
<i>Notes to financial statements</i>	
Deposits	\$ 7,886,247
Cash on hand	600
Investments	<u>4,265,674</u>
	<u>\$12,152,521</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2004, the Township has deposits with a carrying amount of \$7,886,247 and a bank balance of \$8,076,995. Of the bank balance, \$1,802,842 is covered by federal depository insurance and \$6,274,153 is uninsured.

b) Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds holding investments allowable by state statute. Not more than 50% of any fund may be invested in commercial paper.

Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued):

b) Investments (continued):

The GASB Statement 3 risk disclosures for the Township investments are as follows:

Investment type

Risk categorized:	
GNMA certificates	\$ 68,005
Non-risk categorized:	
Mutual funds	3,533,312
Pooled separate account, with insurance company	<u>664,357</u>
Total investments	<u>\$4,265,674</u>

All investments are carried at market value. The risk categorized investments are registered and held in the Township's name by a financial institution. The non-risk categorized investments are held by the pension trust funds of the Township.

NOTE 3 - TAXES RECEIVABLE:

The 2003 state taxable value of the Township approximated \$263,500,000, on which ad valorem taxes levied consisted of 0.8900 mills for the General Fund, 2.500 mills for the Fire Operating Fund, and 1.250 mills for the Fire Equipment Fund, raising \$236,112, \$616,968, and \$246,890, respectively. These amounts have been recognized in the General, Fire Operating, and Fire Equipment Fund financial statements as taxes receivable, with an offsetting credit to deferred revenue, until realized.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Due from</u>	<u>Fund</u>	<u>Due to</u>
General	\$ <u>17,411</u>	Budget Stabilization	\$14,385
		Trust and Agency	2,741
		Tax Collection	<u>285</u>
			<u>17,411</u>
Financing	<u>59,504</u>	Special Assessment	<u>59,504</u>
Fire Operating	<u>1,533</u>	Special Assessment	<u>1,533</u>
Sewer	<u>21,362</u>	Water	<u>21,362</u>

Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES (continued):

<u>Fund</u>	<u>Due from</u>	<u>Fund</u>	<u>Due to</u>
Internal Service	\$ <u>3,657</u>	General	\$ <u>3,657</u>
	<u>\$103,467</u>		<u>\$103,467</u>

The long-term advance to/from other funds, shown in the Enterprise funds balance sheet, represent amounts advanced by the Sewer Fund to the Water Fund, to finance capital additions. The Water Fund is to repay the advance in annual installments of \$48,236, including interest at 5.0%, through September 2021.

NOTE 5 - FIXED ASSETS:

	<u>Changes in general fixed assets</u>		
	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Balance March 31, 2004</u>
Land	\$ 92,344	\$ -	\$ 92,344
Land improvements	333,441	-	333,441
Buildings	582,174	78,365	660,539
Equipment	1,260,513	54,496	1,315,009
Vehicles	<u>665,189</u>	<u>38,877</u>	<u>704,066</u>
	<u>\$2,933,661</u>	<u>\$171,738</u>	<u>\$3,105,399</u>

A summary of proprietary fund type property, plant, and equipment at March 31, 2004, is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
System	\$13,303,379	\$2,792,482	\$16,095,861
Less, accumulated depreciation	<u>(4,389,275)</u>	<u>(894,291)</u>	<u>(5,283,566)</u>
Net fixed assets	<u>\$ 8,914,104</u>	<u>\$1,898,191</u>	<u>\$10,812,295</u>

NOTE 6 - LONG-TERM OBLIGATIONS REPORTED IN THE GENERAL LONG-TERM DEBT ACCOUNT GROUP:

The accrued liability presented in the general long-term debt account represents the estimated amount of vested sick pay benefits not considered to be payable with currently available resources. In 2004, the obligation increased by \$35,576.

Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - RETIREMENT PLANS:

a) Police and Fire Pension Plan:

i) Plan description:

The Police and Fire Pension Plan (PFPP) is a single-employer defined benefit pension plan administered by the Township. The PFPP provides retirement, disability, and death benefits to eligible police and fire department members and their beneficiaries. Cost of living adjustments are provided to members and beneficiaries at the discretion of the Township. Separately issued financial statements of this plan are not prepared.

ii) Funding policy:

The contribution requirements of plan members and the Township are established and may be amended by Township resolution. Plan members are required to contribute 7.0% of their annual covered salary. In 2004, member contributions totaled \$38,109. The Township is required to contribute at an actuarially determined rate (currently 8.00% of annual covered payroll).

iii) Annual Pension Cost and Net Pension Obligation:

The Township's annual pension cost for the year ended March 31, 2004, was \$43,570. The annual required contribution was determined as part of the April 1, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a) 7.5% investment rate of return and b) projected payroll increases of 5.0%. The actuarial value of assets is based on current fair value. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open period of 15 years.

<i>Three year trend information</i>			
<i><u>Fiscal year ended March 31,</u></i>	<i><u>Annual pension cost (APC)</u></i>	<i><u>Percentage of APC contributed</u></i>	<i><u>Net pension obligation</u></i>
2002	\$22,908	100%	\$ -
2003	41,289	100%	-
2004	43,570	100%	-

b) General Government Pension Plan:

The General Government Pension Plan (GGPP) is a single-employer defined contribution pension plan administered by the Township. The GGPP provides retirement benefits to all full time employees other than those covered by the PFPP. Plan provisions and contribution requirements are established and may be amended by the Township Board. Currently, the Township contributes 9.0% of covered salary. Plan members are required to contribute 5.0% of covered salary, and may make voluntary contributions subject to IRS limitations. The employer and employee contributions totaled \$47,043 and \$40,215, respectively, for the year ended March 31, 2004.

Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - SEGMENT INFORMATION - ENTERPRISE FUNDS:

The Township maintains two enterprise funds - a sewer collection system and water distribution system. Selected segment information for the year ended March 31, 2004, is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Operating revenue	\$ 1,057,096	\$ 153,400	\$ 1,210,496
Depreciation	264,700	56,000	320,700
Operating income (loss)	(170,466)	2,435	(168,031)
Net (loss)	(120,246)	(24,935)	(145,181)
Fixed asset additions	73,129	132,606	205,735
Net working capital	2,465,121	321,948	2,787,069
Long-term debt	-	567,528	567,528
Total assets	12,072,426	2,242,993	14,315,419
Total equity	11,946,753	1,652,611	13,599,364

NOTE 9 - EXPENDITURES IN EXCESS OF BUDGET:

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. During the year ended March 31, 2003, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated. The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>
General	Public safety	Police	\$592,666	\$650,844

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$5,000,000, building contents and workers' compensation, and casualty are managed through purchased commercial insurance. For all such risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

The Township has established a partially self-funded employee health and medical claims plan for all full time employees. The plan provides health benefits up to certain annual and life-time stop loss limits. The Township has purchased commercial insurance for claims in excess of these limits. Settled claims of the past three years have not exceeded the commercial coverage. The claims liability of \$12,065 reported at March 31, 2004, is based on estimates of known claims and actuarial computations of incurred but not reported claims.

Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RISK MANAGEMENT (Continued):

Changes in the claims liability amount for the past two years were:

	<u>2004</u>	<u>2003</u>
Balance at beginning of year	\$ 7,678	\$ 5,063
Current year claims and changes in estimates	203,206	268,048
Claim payments	<u>(198,819)</u>	<u>(265,433)</u>
Balance at end of year	\$ <u>12,065</u>	\$ <u>7,678</u>

NOTE 11 - BUILDING INSPECTION ACTIVITIES:

A summary of building inspection fees and direct costs is as follows:

Building and inspection revenues	\$189,594
Costs of inspection services	<u>161,535</u>
Excess (shown as a reservation of the fund balance of the General Fund)	\$ <u>28,059</u>

NOTE 12 - CONSTRUCTION COMMITMENT:

The Township approved a project to construct a new fire station. Costs are expected to be about \$1,600,000. The costs will be initially financed from an advance from the General Fund. The advance will be repaid over several years, from an existing extra voted millage for fire capital.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Niles**REQUIRED SUPPLEMENTARY INFORMATION****Schedule of funding progress for Police and Fire Pension Plan**

<i>Actuarial valuation date April 1,</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial Accrued Liability (AAL) - Entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll (b-a)/c)</i>
1992	\$ 1,913,611	\$ 2,148,405	\$ 234,794	89.1%	\$ 503,378	46.6%
1997	2,671,899	2,805,804	133,905	95.2%	526,516	25.4%
1999	3,320,380	3,086,346	(234,034)	107.6%	553,940	-42.2%
2001	3,468,445	3,485,349	16,904	99.5%	583,909	2.9%
2003	3,127,745	3,642,748	515,003	85.9%	424,622	121.3%

SUPPLEMENTARY INFORMATION

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - General Fund**

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes:			
Property taxes	\$ 229,409	\$ 257,741	\$ 28,332
Tax collection fees	25,250	18,012	(7,238)
Trailer park fees and dog licenses	4,800	4,174	(626)
Total taxes	<u>259,459</u>	<u>279,927</u>	<u>20,468</u>
Licenses and permits:			
Building and inspection permits	164,100	189,594	25,494
Cable TV franchise fees	32,000	38,973	6,973
Liquor licenses	6,000	5,879	(121)
Total licenses and permits	<u>202,100</u>	<u>234,446</u>	<u>32,346</u>
State grants	<u>1,080,000</u>	<u>1,062,453</u>	<u>(17,547)</u>
Charges for services:			
Land fill fees	4,000	-	(4,000)
Zoning fees	5,300	4,965	(335)
Recreation fees	15,010	13,026	(1,984)
Land split fees	3,600	3,400	(200)
Demolition fees	-	3,000	3,000
Other fees	2,750	3,233	483
Total charges for services	<u>30,660</u>	<u>27,624</u>	<u>(3,036)</u>
Fines and forfeitures:			
Ordinance compliance	8,200	26,353	18,153
Penalties	1,150	3,066	1,916
Total fines and forfeitures	<u>9,350</u>	<u>29,419</u>	<u>20,069</u>
Interest	<u>58,150</u>	<u>59,311</u>	<u>1,161</u>
Other - refunds and reimbursements	<u>1,000</u>	<u>18,343</u>	<u>17,343</u>
Total revenues	<u>1,640,719</u>	<u>1,711,523</u>	<u>70,804</u>

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - General Fund (Continued)**

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES:			
Legislative:			
Trustees' fees	\$ 16,480	\$ 16,596	\$ (116)
Payroll taxes	1,261	1,261	-
Employee benefits	42,319	42,441	(122)
Vehicle allowances	4,800	4,800	-
Publications and other costs	6,780	3,155	3,625
Total legislative	<u>71,640</u>	<u>68,253</u>	<u>3,387</u>
General government:			
Supervisor:			
Salaries	55,218	56,260	(1,042)
Payroll taxes	4,225	4,248	(23)
Employee benefits	27,465	27,158	307
Vehicle allowance	2,700	2,700	-
Conferences and dues	1,650	610	1,040
Total supervisor	<u>91,258</u>	<u>90,976</u>	<u>282</u>
Elections:			
Salaries	4,000	3,226	774
Payroll taxes	50	22	28
Contractual services	1,500	200	1,300
Postage	2,500	1,500	1,000
Equipment maintenance and other	2,050	615	1,435
Supplies	<u>500</u>	<u>203</u>	<u>297</u>
Total elections	<u>10,600</u>	<u>5,766</u>	<u>4,834</u>
Assessor:			
Salaries	45,675	46,385	(710)
Payroll taxes	3,500	3,507	(7)
Employee benefits	14,611	14,443	168
Vehicle allowance	2,700	2,700	-
Legal fees	7,800	2,185	5,615
Contractual services	3,000	1,988	1,012
Conferences and dues	2,200	2,028	172
Supplies and other	<u>4,950</u>	<u>2,189</u>	<u>2,761</u>
Total assessor	<u>84,436</u>	<u>75,425</u>	<u>9,011</u>

Township of Niles

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL - General Fund (Continued)

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):			
General government (continued):			
Clerk:			
Salaries	\$ 41,804	\$ 42,308	\$ (504)
Payroll taxes	3,200	3,198	2
Employee benefits	24,395	24,209	186
Vehicle allowance	2,100	2,100	-
Conferences and dues	1,500	1,252	248
Maintenance and supplies	1,550	1,193	357
Total clerk	74,549	74,260	289
Board of review:			
Fees and per diem	600	600	-
Payroll taxes	46	46	-
Legal notices and other	300	329	(29)
Total board of review	946	975	(29)
Treasurer:			
Salaries	47,804	48,649	(845)
Payroll taxes	3,700	3,679	21
Employee benefits	25,960	25,678	282
Vehicle allowance	2,100	2,100	-
Tax roll preparation	18,000	17,530	470
Postage	7,500	7,500	-
Maintenance and supplies	2,350	1,117	1,233
Conferences and dues	2,100	1,506	594
Total treasurer	109,514	107,759	1,755
Building and grounds:			
Salaries	47,780	48,712	(932)
Payroll taxes	3,700	3,684	16
Employee benefits	20,400	19,565	835
Supplies	9,150	6,150	3,000
Postage	4,500	4,716	(216)
Contractual	5,000	3,314	1,686
Phone	7,500	5,396	2,104

Township of Niles

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL - General Fund (Continued)

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):			
General government (continued):			
Building and grounds (continued):			
Insurance	\$ 8,710	\$ 8,338	\$ 372
Utilities	8,782	10,019	(1,237)
Equipment maintenance	3,600	4,467	(867)
Building maintenance	4,000	1,996	2,004
Equipment rental	2,100	2,100	-
Other	<u>750</u>	<u>530</u>	<u>220</u>
Total building and grounds	<u>125,972</u>	<u>118,987</u>	<u>6,985</u>
Other:			
Legal services	31,500	36,302	(4,802)
Other contractual services	27,000	14,638	12,362
Audit	5,100	13,825	(8,725)
Dues and subscriptions	4,700	4,585	115
Supplies and other	<u>8,230</u>	<u>3,566</u>	<u>4,664</u>
Total other	<u>76,530</u>	<u>72,916</u>	<u>3,614</u>
Total general government	<u>573,805</u>	<u>547,064</u>	<u>26,741</u>
Public safety:			
Police department:			
Salaries and wages	380,927	412,581	(31,654)
Payroll taxes	28,500	31,268	(2,768)
Employee benefits	81,609	64,598	17,011
Legal fees	20,000	41,957	(21,957)
Contractual	14,500	22,059	(7,559)
Vehicle maintenance	6,500	16,110	(9,610)
Gas and oil	13,000	14,101	(1,101)
Insurance	11,350	12,939	(1,589)
Telephone	7,200	8,520	(1,320)
Uniforms	6,000	7,209	(1,209)
Supplies	5,470	5,386	84
Equipment maintenance	3,800	4,123	(323)
Training	5,700	2,930	2,770
Auxiliary police	2,500	2,493	7

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - General Fund (Continued)**

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):			
Public safety (continued):			
Police department:			
Radio maintenance	\$ 1,200	\$ 278	\$ 922
Other	4,410	4,292	118
Total police department	<u>592,666</u>	<u>650,844</u>	<u>(58,178)</u>
Building inspections:			
Salaries	73,240	74,228	(988)
Payroll taxes	5,603	5,602	1
Employee benefits	30,760	30,487	273
Contractual services	35,000	34,014	986
Vehicle allowance	5,400	5,400	-
Conferences and dues	4,550	3,255	1,295
Supplies	2,000	2,649	(649)
Phone	3,000	2,453	547
Mileage	1,500	1,802	(302)
Demolition services	6,000	-	6,000
Maintenance and other	<u>2,050</u>	<u>1,645</u>	<u>405</u>
Total building inspections	<u>169,103</u>	<u>161,535</u>	<u>7,568</u>
Ordinance enforcement:			
Salaries	14,560	13,741	819
Payroll taxes	1,115	1,068	47
Employee benefits	8,644	8,562	82
Contractual services	5,000	1,215	3,785
Maintenance and other	<u>2,290</u>	<u>3,016</u>	<u>(726)</u>
Total ordinance enforcement	<u>31,609</u>	<u>27,602</u>	<u>4,007</u>
Total public safety	<u>793,378</u>	<u>839,981</u>	<u>(46,603)</u>
Public works:			
Highways and streets	35,000	33,475	1,525
Street lighting	3,500	-	3,500
Drains	<u>750</u>	<u>219</u>	<u>531</u>
Total public works	<u>39,250</u>	<u>33,694</u>	<u>5,556</u>

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - General Fund (Continued)**

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Community and economic development:			
Planning and zoning:			
Fees and per diem	\$ 8,500	\$ 10,400	\$ (1,900)
Payroll taxes	651	767	(116)
Contractual	13,000	13,081	(81)
Legal fees	5,000	2,408	2,592
Notices	1,500	1,500	-
Supplies and other	600	632	(32)
Total planning and zoning	29,251	28,788	463
Public relations	5,500	4,451	1,049
Total community and economic development	34,751	33,239	1,512
Recreation and culture:			
Parks:			
Salaries and wages	27,000	27,010	(10)
Fees and per diem	3,000	2,400	600
Payroll taxes	2,300	2,232	68
Employee benefits	4,525	2,745	1,780
Grounds maintenance	11,000	14,681	(3,681)
Utilities	6,380	5,982	398
Building maintenance	9,000	793	8,207
Insurance	4,496	4,620	(124)
Gas and oil	1,600	1,701	(101)
Supplies	800	623	177
Equipment maintenance	800	1,353	(553)
Phone	480	863	(383)
Vehicle maintenance	2,500	2,155	345
Other	1,850	1,436	414
Total parks and, total recreation and culture	75,731	68,594	7,137

*Township of Niles***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *General Fund (Continued)****Year ended March 31, 2004*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Capital outlay:			
Police	\$ 36,700	\$ 36,934	\$ (234)
Parks	<u>33,000</u>	<u>33,643</u>	<u>(643)</u>
Total capital outlay	<u>69,700</u>	<u>70,577</u>	<u>(877)</u>
Total expenditures	<u>1,658,255</u>	<u>1,661,402</u>	<u>(3,147)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,536)	50,121	67,657
FUND BALANCE - BEGINNING OF YEAR	<u>3,126,365</u>	<u>3,126,365</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,108,829</u>	<u>\$ 3,176,486</u>	<u>\$ 67,657</u>

THIS PAGE INTENTIONALLY LEFT BLANK

Township of Niles
COMBINING BALANCE SHEET - special revenue funds
 March 31, 2004

	<u>Drains</u>	<u>Fire Operating</u>	<u>Budget Stabilization</u>	<u>Financing</u>
ASSETS				
Cash	\$ 90,446	\$ 631,234	\$ 256,341	\$ 159,708
Investments	-	-	-	-
Receivables:				
Taxes	-	47,336	-	-
Special assessments	-	-	-	-
Due from other funds	-	1,533	-	59,504
	<u>-</u>	<u>1,533</u>	<u>-</u>	<u>59,504</u>
TOTAL ASSETS	<u>\$ 90,446</u>	<u>\$ 680,103</u>	<u>\$ 256,341</u>	<u>\$ 219,212</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable				
and accrued expenses	\$ -	\$ 5,493	\$ -	\$ -
Due to other funds	-	-	14,385	-
Deferred revenue	-	515	-	-
	<u>-</u>	<u>515</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>6,008</u>	<u>14,385</u>	<u>-</u>
FUND BALANCE:				
Designated	90,000	85,787	-	150,000
Undesignated	446	588,308	241,956	69,212
	<u>90,446</u>	<u>674,095</u>	<u>241,956</u>	<u>219,212</u>
Total fund balance	<u>90,446</u>	<u>674,095</u>	<u>241,956</u>	<u>219,212</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 90,446</u>	<u>\$ 680,103</u>	<u>\$ 256,341</u>	<u>\$ 219,212</u>

<u>Special Assessment</u>	<u>Drug Law Enforcement</u>	<u>CDBG</u>	<u>Fire Equipment</u>	<u>Revolving Improvement</u>	<u>Totals (memorandum only)</u>
\$ 224,995	\$ 721	\$ 979	\$ 446,640	\$ 144,599	\$ 1,955,663
-	-	-	2,982	-	2,982
-	-	-	18,933	-	66,269
19,517	-	-	-	-	19,517
-	-	-	-	-	61,037
<u>\$ 244,512</u>	<u>\$ 721</u>	<u>\$ 979</u>	<u>\$ 468,555</u>	<u>\$ 144,599</u>	<u>\$ 2,105,468</u>
\$ 294	\$ -	\$ -	\$ 337	\$ -	\$ 6,124
61,037	-	-	-	-	75,422
16,741	-	-	206	-	17,462
<u>78,072</u>	<u>-</u>	<u>-</u>	<u>543</u>	<u>-</u>	<u>99,008</u>
150,000	700	-	224,833	108,805	810,125
16,440	21	979	243,179	35,794	1,196,335
<u>166,440</u>	<u>721</u>	<u>979</u>	<u>468,012</u>	<u>144,599</u>	<u>2,006,460</u>
<u>\$ 244,512</u>	<u>\$ 721</u>	<u>\$ 979</u>	<u>\$ 468,555</u>	<u>\$ 144,599</u>	<u>\$ 2,105,468</u>

Township of Niles**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - *special revenue funds****Year ended March 31, 2004*

	<u>Drains</u>	<u>Fire Operating</u>	<u>Budget Stabilization</u>	<u>Financing</u>
REVENUES:				
Taxes	\$ -	\$ 672,118	\$ -	\$ -
Federal grants	-	-	-	-
Local unit contributions	-	30,000	-	-
Charges for services	-	925	-	-
Interest	630	3,993	-	974
Other	162	3,620	-	-
	<u>792</u>	<u>710,656</u>	<u>-</u>	<u>974</u>
Total revenues				
	<u>792</u>	<u>710,656</u>	<u>-</u>	<u>974</u>
EXPENDITURES:				
Public safety	-	624,328	-	-
Public works	14,100	-	-	-
Capital outlay	-	3,000	-	-
	<u>14,100</u>	<u>627,328</u>	<u>-</u>	<u>-</u>
Total expenditures				
	<u>14,100</u>	<u>627,328</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,308)	83,328	-	974
FUND BALANCE - BEGINNING OF YEAR	<u>103,754</u>	<u>590,767</u>	<u>241,956</u>	<u>218,238</u>
FUND BALANCE - END OF YEAR	<u>\$ 90,446</u>	<u>\$ 674,095</u>	<u>\$ 241,956</u>	<u>\$ 219,212</u>

<i>Special Assessment</i>	<i>Drug Law Enforcement</i>	<i>CDBG</i>	<i>Fire Equipment</i>	<i>Revolving Improvement</i>	<i>Totals (memorandum only)</i>
\$ -	\$ -	\$ -	\$ 274,056	\$ -	\$ 946,174
-	-	-	15,299	-	15,299
-	-	-	-	-	30,000
-	-	-	-	-	925
11,215	7	6	5,399	1,008	23,232
<u>64,425</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,507</u>
<u>75,640</u>	<u>307</u>	<u>6</u>	<u>294,754</u>	<u>1,008</u>	<u>1,084,137</u>
-	924	-	-	-	625,252
28,676	-	-	-	2,500	45,276
<u>-</u>	<u>-</u>	<u>-</u>	<u>120,591</u>	<u>-</u>	<u>123,591</u>
<u>28,676</u>	<u>924</u>	<u>-</u>	<u>120,591</u>	<u>2,500</u>	<u>794,119</u>
46,964	(617)	6	174,163	(1,492)	290,018
<u>119,476</u>	<u>1,338</u>	<u>973</u>	<u>293,849</u>	<u>146,091</u>	<u>1,716,442</u>
<u>\$ 166,440</u>	<u>\$ 721</u>	<u>\$ 979</u>	<u>\$ 468,012</u>	<u>\$ 144,599</u>	<u>\$ 2,006,460</u>

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - Drains Fund***Year ended March 31, 2004*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Interest	\$ 1,000	\$ 630	\$ (370)
Other	<u>-</u>	<u>162</u>	<u>162</u>
Total revenues	1,000	792	(208)
EXPENDITURES:			
Public works - drains	<u>104,000</u>	<u>14,100</u>	<u>89,900</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(103,000)	(13,308)	89,692
FUND BALANCE - BEGINNING OF YEAR	<u>103,754</u>	<u>103,754</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 754</u>	<u>\$ 90,446</u>	<u>\$ 89,692</u>

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - Fire Operating Fund**

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes	\$ 588,400	\$ 672,118	\$ 83,718
Local unit contributions	30,000	30,000	-
Charges for services	550	925	375
Interest	7,500	3,993	(3,507)
Other - Contributions	-	3,620	3,620
	<u>626,450</u>	<u>710,656</u>	<u>84,206</u>
Total revenues			
EXPENDITURES:			
Public safety - fire protection:			
Salaries and wages	393,350	396,892	(3,542)
Payroll taxes	30,100	30,030	70
Employee benefits	142,662	119,726	22,936
Meal allowances	4,200	3,600	600
Insurance	14,500	15,507	(1,007)
Utilities	7,750	8,961	(1,211)
Equipment maintenance	4,000	6,048	(2,048)
Gas and oil	8,000	5,579	2,421
Vehicles	13,500	5,544	7,956
Uniforms	4,385	5,542	(1,157)
Operating supplies	7,200	5,478	1,722
Phone	5,025	4,426	599
Training	4,750	3,771	979
Legal fees	2,000	3,356	(1,356)
Maintenance supplies	4,700	3,095	1,605
Publications	800	1,515	(715)
Dues	700	1,314	(614)
Radio maintenance	1,500	1,058	442
Building maintenance	3,200	832	2,368
Audit	600	720	(120)
Travel	1,000	467	533
Civic betterment	2,500	(727)	3,227
Other	1,325	1,594	(269)
	<u>657,747</u>	<u>624,328</u>	<u>33,419</u>
Total public safety			

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Fire Operating Fund (Continued)***Year ended March 31, 2004*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):			
Capital outlay	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>
Total expenditures	<u>660,747</u>	<u>627,328</u>	<u>33,419</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(34,297)	83,328	117,625
FUND BALANCE - BEGINNING OF YEAR	<u>590,767</u>	<u>590,767</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 556,470</u>	<u>\$ 674,095</u>	<u>\$ 117,625</u>

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - Special Assessment Fund***Year ended March 31, 2004*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Interest	\$ 8,200	\$ 11,215	\$ 3,015
Other:			
Special assessments:			
Roads	45,250	31,646	(13,604)
Street lighting	<u>29,988</u>	<u>32,779</u>	<u>2,791</u>
Total other	<u>75,238</u>	<u>64,425</u>	<u>(10,813)</u>
Total revenues	<u>83,438</u>	<u>75,640</u>	<u>(7,798)</u>
EXPENDITURES:			
Public works:			
Highways and streets	70,938	-	70,938
Street lighting	<u>33,000</u>	<u>28,676</u>	<u>4,324</u>
Total public works	<u>103,938</u>	<u>28,676</u>	<u>75,262</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,500)	46,964	67,464
FUND BALANCE - BEGINNING OF YEAR	<u>119,476</u>	<u>119,476</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 98,976</u>	<u>\$ 166,440</u>	<u>\$ 67,464</u>

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - Fire Equipment Fund***Year ended March 31, 2004*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes	\$ 294,212	\$ 274,056	\$ (20,156)
Federal grants	-	15,299	15,299
Interest	<u>2,200</u>	<u>5,399</u>	<u>3,199</u>
Total revenues	<u>296,412</u>	<u>294,754</u>	<u>(1,658)</u>
EXPENDITURES:			
Capital outlay	<u>311,412</u>	<u>120,591</u>	<u>190,821</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,000)	174,163	189,163
FUND BALANCE - BEGINNING OF YEAR	<u>293,849</u>	<u>293,849</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 278,849</u>	<u>\$ 468,012</u>	<u>\$ 189,163</u>

Township of Niles**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - Revolving Improvement Fund***Year ended March 31, 2004*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Interest	\$ -	\$ 1,008	\$ 1,008
EXPENDITURES:			
Public works	<u>60,000</u>	<u>2,500</u>	<u>57,500</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(60,000)	(1,492)	58,508
FUND BALANCE - BEGINNING OF YEAR	<u>146,091</u>	<u>146,091</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 86,091</u>	<u>\$ 144,599</u>	<u>\$ 58,508</u>

Township of Niles
COMBINING BALANCE SHEET - enterprise funds
March 31, 2004

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,984,938	\$ 329,771	\$ 2,314,709
Investments	260,960	-	260,960
Accounts receivable	323,534	15,031	338,565
Due from other funds	<u>21,362</u>	<u>-</u>	<u>21,362</u>
Total current assets	2,590,794	344,802	2,935,596
Long-term advance to other funds	567,528	-	567,528
Property, plant, and equipment (net of accumulated depreciation)	<u>8,914,104</u>	<u>1,898,191</u>	<u>10,812,295</u>
TOTAL ASSETS	<u>\$ 12,072,426</u>	<u>\$ 2,242,993</u>	<u>\$ 14,315,419</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 123,350	\$ 1,492	\$ 124,842
Due to other funds	-	21,362	21,362
Customer deposits	<u>2,323</u>	<u>-</u>	<u>2,323</u>
Total current liabilities	125,673	22,854	148,527
Long-term advance from other funds	<u>-</u>	<u>567,528</u>	<u>567,528</u>
Total liabilities	125,673	590,382	716,055
Retained earnings	<u>11,946,753</u>	<u>1,652,611</u>	<u>13,599,364</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 12,072,426</u>	<u>\$ 2,242,993</u>	<u>\$ 14,315,419</u>

Township of Niles
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - *enterprise funds*
Year ended March 31, 2004

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
OPERATING REVENUES:			
Utility usage	\$ 1,028,266	\$ 137,875	\$ 1,166,141
Hook-ups and tap-in fees	10,293	12,828	23,121
Penalties	18,537	2,697	21,234
Total operating revenues	<u>1,057,096</u>	<u>153,400</u>	<u>1,210,496</u>
OPERATING EXPENSES:			
Purchased treatment	607,732	-	607,732
Salaries	144,867	21,726	166,593
Employee benefits	82,325	8,676	91,001
Payroll taxes	10,955	1,643	12,598
Equipment and building maintenance	31,986	15,945	47,931
System repairs and maintenance	16,387	28,218	44,605
Utilities	15,351	9,909	25,260
Insurance	14,051	898	14,949
Telephone	13,893	716	14,609
Tools and supplies	9,735	4,836	14,571
Audit	5,320	1,710	7,030
Postage	5,716	158	5,874
Gas and oil	2,500	530	3,030
Uniforms and other	2,044	-	2,044
Depreciation	264,700	56,000	320,700
Total operating expenses	<u>1,227,562</u>	<u>150,965</u>	<u>1,378,527</u>
OPERATING INCOME (LOSS)	<u>(170,466)</u>	<u>2,435</u>	<u>(168,031)</u>
NONOPERATING REVENUES (EXPENSE):			
Interest earned	50,220	2,630	52,850
Interest expense	-	(30,000)	(30,000)
Total nonoperating revenues (expense)	<u>50,220</u>	<u>(27,370)</u>	<u>22,850</u>
NET LOSS	(120,246)	(24,935)	(145,181)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>12,066,999</u>	<u>1,677,546</u>	<u>13,744,545</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 11,946,753</u>	<u>\$ 1,652,611</u>	<u>\$ 13,599,364</u>

Township of Niles**COMBINING STATEMENT OF CASH FLOWS - enterprise funds**

Year ended March 31, 2004

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,016,442	\$ 160,709	\$ 1,177,151
Payments to vendors and suppliers	(819,742)	(72,132)	(891,874)
Payments to employees	(143,204)	(21,476)	(164,680)
Net cash provided by operating activities	<u>53,496</u>	<u>67,101</u>	<u>120,597</u>
Cash flows from non-capital financing activities:			
Decrease in amounts due from other funds	8,390	-	8,390
Decrease in long-term advance to other funds	18,236	-	18,236
Interest received on long-term advance to other funds	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Net cash provided by non-capital financing activities	<u>56,626</u>	<u>-</u>	<u>56,626</u>
Cash flows from capital and related financing activities:			
Purchase of fixed assets	(2,350)	(132,606)	(134,956)
Principal payments on long-term advance from other funds	-	(18,236)	(18,236)
Interest paid on long-term advance	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Net cash used in capital and related financing activities	<u>(2,350)</u>	<u>(180,842)</u>	<u>(183,192)</u>
Cash flows from investing activities:			
Interest on investments	20,220	2,630	22,850
Sale of investments	<u>256,455</u>	<u>-</u>	<u>256,455</u>
Net cash provided by investing activities	<u>276,675</u>	<u>2,630</u>	<u>279,305</u>
Net increase (decrease) in cash	384,447	(111,111)	273,336
Cash - beginning of year	<u>1,600,491</u>	<u>440,882</u>	<u>2,041,373</u>
Cash - end of year	<u>\$ 1,984,938</u>	<u>\$ 329,771</u>	<u>\$ 2,314,709</u>

Township of Niles**COMBINING STATEMENT OF CASH FLOWS - enterprise funds (Continued)**

Year ended March 31, 2004

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (170,466)	\$ 2,435	\$ (168,031)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	264,700	56,000	320,700
Increase in accounts receivable	(19,292)	(14,053)	(33,345)
Increase in amounts due from other funds	(21,362)	-	(21,362)
Increase (decrease) in accounts payable and accrued expenses	(84)	1,357	1,273
Increase in amount due to other funds	<u>-</u>	<u>21,362</u>	<u>21,362</u>
Net cash provided by operating activities	<u>\$ 53,496</u>	<u>\$ 67,101</u>	<u>\$ 120,597</u>
Supplementary information:			
Non-cash capital and related financing activities:			
Increase in fixed assets	\$ (73,129)	\$ (132,606)	\$ (205,735)
Less, increase in accounts payable	<u>70,779</u>	<u>-</u>	<u>70,779</u>
Cash used	<u>\$ (2,350)</u>	<u>\$ (132,606)</u>	<u>\$ (134,956)</u>

Township of Niles
COMBINING BALANCE SHEET - trust and agency funds
 March 31, 2004

		<i>Expendable trust</i>	<i>Pension trust</i>	
		<i>Purdy- Niles Cemetery Trust</i>	<i>General Government Pension Plan</i>	<i>Police and Fire Pension Plan</i>
ASSETS				
Cash		\$ 8,263	\$ 19,480	\$ 6,320
Investments		-	664,357	3,533,312
TOTAL ASSETS		<u>\$ 8,263</u>	<u>\$ 683,837</u>	<u>\$ 3,539,632</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Due to other funds		\$ -	\$ -	\$ -
Due to others		-	-	-
Total liabilities		<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Reserved for perpetual care		8,263	-	
Reserved for employees' pension benefits		-	683,837	3,539,632
Total fund equity		<u>8,263</u>	<u>683,837</u>	<u>3,539,632</u>
TOTAL LIABILITIES AND FUND EQUITY		<u>\$ 8,263</u>	<u>\$ 683,837</u>	<u>\$ 3,539,632</u>

<i>Agency</i>		
<i>Current Tax Collection</i>	<i>Agency</i>	<i>Totals</i>
\$ 590	\$ 57,355	\$ 92,008
-	-	4,197,669
<u>\$ 590</u>	<u>\$ 57,355</u>	<u>\$ 4,289,677</u>
\$ 285	\$ 2,741	\$ 3,026
305	54,614	54,919
<u>590</u>	<u>57,355</u>	<u>57,945</u>
-	-	8,263
-	-	4,223,469
-	-	4,231,732
<u>\$ 590</u>	<u>\$ 57,355</u>	<u>\$ 4,289,677</u>

Township of Niles
COMBINING STATEMENT OF CHANGES IN
PLAN NET ASSETS - *pension trust funds*
Year ended March 31, 2004

	<i>General Government Pension Plan</i>	<i>Police and Fire Pension Plan</i>	<i>Totals</i>
ADDITIONS TO PLAN ASSETS:			
Contributions:			
Employer	\$ 47,043	\$ 43,570	\$ 90,613
Participants	<u>40,215</u>	<u>38,109</u>	<u>78,324</u>
Total contributions	87,258	81,679	168,937
Investment return	<u>72,082</u>	<u>568,715</u>	<u>640,797</u>
Total additions	159,340	650,394	809,734
DEDUCTIONS FROM PLAN ASSETS:			
Benefits paid	<u>-</u>	<u>264,138</u>	<u>264,138</u>
NET INCREASE	159,340	386,256	545,596
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
Beginning of year	<u>524,497</u>	<u>3,153,376</u>	<u>3,677,873</u>
End of year	<u>\$ 683,837</u>	<u>\$ 3,539,632</u>	<u>\$ 4,223,469</u>

Township of Niles
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
agency funds
Year ended March 31, 2004

	<i>Balance April 1, 2003</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance March 31, 2004</i>
TRUST AND AGENCY				
ASSETS				
Cash	<u>\$ 181,003</u>	<u>\$ 16,024</u>	<u>\$ 139,672</u>	<u>\$ 57,355</u>
LIABILITIES				
Due to other funds	\$ 127,532	\$ 2,741	\$ 127,532	\$ 2,741
Due to other governmental units	997	-	997	-
Due to others	<u>52,474</u>	<u>13,283</u>	<u>11,143</u>	<u>54,614</u>
TOTAL LIABILITIES	<u>\$ 181,003</u>	<u>\$ 16,024</u>	<u>\$ 139,672</u>	<u>\$ 57,355</u>
TAX COLLECTION FUND				
ASSETS				
Cash	<u>\$ 1,351</u>	<u>\$ 7,243,586</u>	<u>\$ 7,244,347</u>	<u>\$ 590</u>
LIABILITIES				
Due to other funds	\$ 1,351	\$ 1,129,930	\$ 1,130,996	\$ 285
Due to other governmental units	-	<u>6,113,656</u>	<u>6,113,351</u>	<u>305</u>
TOTAL LIABILITIES	<u>\$ 1,351</u>	<u>\$ 7,243,586</u>	<u>\$ 7,244,347</u>	<u>\$ 590</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	<u>\$ 182,354</u>	<u>\$ 7,259,610</u>	<u>\$ 7,384,019</u>	<u>\$ 57,945</u>
LIABILITIES				
Due to other funds	\$ 128,883	\$ 1,132,671	\$ 1,258,528	\$ 3,026
Due to other governmental units	997	6,113,656	6,114,348	305
Due to others	<u>52,474</u>	<u>13,283</u>	<u>11,143</u>	<u>54,614</u>
TOTAL LIABILITIES	<u>\$ 182,354</u>	<u>\$ 7,259,610</u>	<u>\$ 7,384,019</u>	<u>\$ 57,945</u>

**Board of Trustees
Township of Niles, Michigan**

In planning and performing our audit of the general purpose financial statements of Township of Niles, Michigan, for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. (See attached schedule of comments and recommendations.) Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the general purpose financial statements.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, misstatements due to error or fraud may occur and not be detected by such controls.

This report is intended for the information and use of the Board of Trustees, management, and others within the Township, and Michigan Department of Treasury, and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

September 30, 2004

Township of Niles

SCHEDULE OF COMMENTS AND RECOMMENDATIONS

General ledger:

Finding - The general ledger does not present an up-to-date record of the assets, liabilities, and equity of the funds of the Township.

Causes -

- a. Certain transactions of the Trust and Agency Fund, Fire and Police Pension Fund, and General Government Pension Plan Fund have not been recorded.
- b. Purchases and sales of certificates of deposits have not been properly recorded.

Effect - The carrying value of assets, liabilities, and fund equity may be incorrect.

Recommendations -

- a. Record adjustments generated by the auditor that management agrees are necessary to correct misstatements.
- b. Utilize the disbursing program to record checks of the Trust and Agency Fund.
- c. Record activity of the pension plan investments based on the periodic investment account statements.
- d. Record the purchase of each certificate of deposit as an asset, using its face value, excluding any accrued interest, premium, or discount. When sold, reduce the asset for the face value of the specific certificate.

Utility fund accounting:

Finding - Utility funds do not reflect the current balance of service revenue receivables.

Cause - Revenue of the utility funds has been recorded on the cash basis rather than the accrual basis.

Effect - The financial position of each utility fund is understated; detail utility receivable balances cannot be reconciled to a meaningful number; and, operating revenue is misstated.

Recommendations -

- a. Record the current total of all detail utility receivables, including credit balances in the general ledger. Thereafter, the account should be adjusted for monthly billing, collection, and adjustment activity.
- b. Outstanding balances that are removed and transferred to the tax roll for collection should be reinstated within the detail receivable records in a separate account for delinquencies. Collections remitted by the Tax Collection Fund should be posted to the separate account. This procedure assures that the total amount of uncollected receivables is maintained.

Township of Niles

SCHEDULE OF COMMENTS AND RECOMMENDATIONS (Continued)

Utility fund accounting (continued):

Recommendations (continued) -

- c. Periodically, the month-end ledger balance should be compared to the total underlying detail balances. Differences should be identified and corrected. The reasons for such differences should be evaluated for possible future prevention and early detection.

Cash:

Finding - The disbursement checking account, which maintains a balance greater than zero, is not recorded in the general ledger.

Cause - The account was considered an imprest account for which the reconciled balance would be zero.

Effect - The assets of one or more funds are understated, while the corresponding expenditures/expenses are overstated, for amounts transferred in excess of checks written.

Recommendation - Record the current reconciled balance in an account in the General Fund. Thereafter, amounts to be transferred in from any fund should be reduced for the effect of voided or cancelled checks, so that recorded expenditures/expenses reflect actual cash outlays to vendors and suppliers.

Fringe benefits:

Finding - Policies and procedures to assure that the Township is in compliance with IRS guidelines for recordkeeping and reporting of fringe benefits (including expense allowances) are not in place.

Cause - The provisions of IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, have not been considered.

Effect - An individual's taxable compensation may be understated and the Township may be subject to additional payroll taxes, as well as penalties and interest thereon.

Recommendation - The Township should develop an inventory of the types of costs that are subject to the terms of the publication; determine what changes must be made in internal processes so as to continue to exclude all, or a portion of, certain fringe benefits and expense allowances from compensation; and, incorporate into payroll recordkeeping those costs that must be included in compensation.

Fixed assets:

Finding - Up-to-date detail fixed asset records of the Township have not been maintained.

Cause - The Township relied upon its outside auditor to prepare and preserve such records.

SCHEDULE OF COMMENTS AND RECOMMENDATIONS (Continued)

Fixed assets (continued):

Finding - Up-to-date detail fixed asset records of the Township have not been maintained (continued).

Effect - Information needed to develop operating and capital budgets is not available; insurance coverage may be inaccurate; and, asset details may be lost due to record retention policies of an auditor that differ from the policies of the Township or because of a change in auditors.

Recommendations -

- a. Establish a capitalization policy (what qualifies as an asset and a minimum unit dollar amount); review the most available information from the prior auditor for consistency with such policies; perform a fixed asset inventory that includes a description of each asset, the date acquired/constructed, and the historic cost (actual or estimated); and review insurance coverage for adequacy.
- b. Utility system additions or betterments paid from a fund other than the appropriate enterprise fund should be recorded as transfers to the enterprise fund, to assure completeness of system fixed asset records, and to provide information affecting operating costs and rate setting.

Automated procedures:

Finding - Policies and procedures to make the greatest use of technology have not been effective.

Causes -

- a. Inadequate training as new technology is acquired.
- b. No plan as to how technology will be integrated into day-to-day operations.
- c. No monitoring of processes to identify needed changes or improvements.
- d. No identification of qualified resources (in-house or external expertise) to effect changes.
- e. Shortcomings of software in use

Effect - Manual procedures that could be replaced by technology or that repeat what the automated applications can produce, continue to be performed. There is insufficient time and resources to perform analysis and evaluation of financial data.

Recommendations -

- a. Develop an implementation strategy (who is involved, hardware needs and software alternatives, plan for implementation, budget, establish policies and procedures, training needs).
- b. Communicate strategy to all involved.
- c. Implement the strategy (maintain a positive attitude, keep communication open, be flexible, access to technical resources).
- d. Monitor and follow up.